



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
WHITLEY COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES AND  
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES**

**October 14, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**WHITLEY COUNTY**  
**ANCIL CARTER, SHERIFF**  
**SHERIFF'S SETTLEMENT - 1998 TAXES AND**  
**1998 UNMINED COAL TAXES**

This is a summary of the Whitley County Sheriff's 1998 Tax Settlement as of October 14, 1999. The audit also included Settlement of the 1998 Unmined Coal Taxes. Collections for normal taxes totaled \$3,974,172 and unmined coal taxes \$3,492. After collections and payments, the Sheriff is due refunds from the districts of \$2,195. We have issued an unqualified opinion on the Whitley County Sheriff's 1998 Tax Settlement and the 1998 Unmined Coal Taxes Settlement.

Our audit of the Sheriff's tax assets and tax liabilities for the 1998 tax collections and payments indicated the Sheriff had a net surplus of \$6 when all refunds had been received and all liabilities paid.

**Finding:**

On May 12, 1999, \$257,173 of the Sheriff's deposits was uninsured and unsecured.



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael L. Patrick, Whitley County Judge/Executive

Honorable Ancil Carter, Whitley County Sheriff

Members of the Whitley County Fiscal Court

### Independent Auditor's Report

We have audited the Whitley County Sheriff's Settlement - 1998 Taxes and Sheriff's Settlement - 1998 Unmined Coal Taxes as of October 14, 1999. These tax settlements are the responsibility of the Whitley County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Whitley County Sheriff's taxes charged, credited, and paid as of October 14, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Michael L. Patrick, Whitley County Judge/Executive  
Honorable Ancil Carter, Whitley County Sheriff  
Members of the Whitley County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated October 10, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 10, 2000



WHITLEY COUNTY  
ANCIL CARTER, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

October 14, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 447,267	\$ 467,369	\$ 1,370,659	\$ 769,654
Tangible Personal Property	74,361	78,079	141,599	266,280
Intangible Personal Property				65,374
Fire Protection	3,953			
Franchise Corporation	95,191	99,502	357,330	
Additional Billings	10,199	10,655	34,512	18,260
Oil Property	187	196	951	322
Gas Property	13,041	13,628	66,232	22,419
Undeveloped Oil and Gas Properties	79	82	401	136
Increased Through Erroneous Assessments	7	7	36	12
Penalties	6,261	6,506	22,100	12,891
Adjusted to Sheriff's Receipt	(413)	(414)		(129)
Gross Chargeable to Sheriff	<u>\$ 650,133</u>	<u>\$ 675,610</u>	<u>\$ 1,993,820</u>	<u>\$ 1,155,219</u>
<u>Credits</u>				
Discounts	\$ 7,341	\$ 7,621	\$ 19,569	\$ 15,894
Exonerations	15,218	15,884	57,408	27,771
Delinquents:				
Real Estate	43,063	44,568	158,023	73,321
Tangible Personal Property	1,166	1,225	740	3,505
Intangible Personal Property				1,208
Oil and Gas Properties	793	829	4,028	1,363
Bills Omitted From Printing	26	6	9	31
Total Credits	<u>\$ 67,607</u>	<u>\$ 70,133</u>	<u>\$ 239,777</u>	<u>\$ 123,093</u>
Net Tax Yield	\$ 582,526	\$ 605,477	\$ 1,754,043	\$ 1,032,126
Less: Commissions (a)	<u>25,045</u>	<u>25,733</u>	<u>70,162</u>	<u>44,153</u>
Net Taxes Due	\$ 557,481	\$ 579,744	\$ 1,683,881	\$ 987,973
Taxes Paid	557,485	580,322	1,755,684	987,258
Add: School Commissions			71,554	
Less: Refunds (Current and Prior Year)	<u>321</u>	<u>336</u>	<u>558</u>	<u>864</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (325)</u>	<u>\$ (914)</u>	<u>\$ (807)</u>	<u>\$ (149)</u>

(a), (b), and (c) See Page 4

WHITLEY COUNTY  
 ANCIL CARTER, SHERIFF  
 SHERIFF'S SETTLEMENT - 1998 TAXES  
 October 14, 1999  
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	2,210,129
4% on	\$	1,754,043

(b) Special Taxing Districts:

Library District	\$	(660)
Health District		(138)
Extension District		(73)
Soil District		(43)
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Refunds Due Sheriff	\$	(914)
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(c) Corbin Independent School	\$	(807)
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WHITLEY COUNTY  
 ANCIL CARTER, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

October 14, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 417	\$ 436	\$ 2,121	\$ 718
Penalties	1	1	3	1
Additional 1998 Tax Bills	3	3	13	4
Additional 1997 Tax Bills	3	3	14	5
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Gross Chargeable to Sheriff	\$ 424	\$ 443	\$ 2,151	\$ 728
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<u>Credits</u>				
Discounts	\$ 8	\$ 8	\$ 39	\$ 13
Exonerations	2	2	9	3
Delinquents	19	20	98	33
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Total Credits	\$ 29	\$ 30	\$ 146	\$ 49
	<hr/>	<hr/>	<hr/>	<hr/>
Net Tax Yield	\$ 395	\$ 413	\$ 2,005	\$ 679
Less: Commissions *	17	17	80	29
	<hr/>	<hr/>	<hr/>	<hr/>
Net Taxes Due	\$ 378	\$ 396	\$ 1,925	\$ 650
Taxes Paid	379	396	2,005	652
Less: Commission paid by school			(80)	
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Refunds Due Sheriff				
as of Completion of Fieldwork	\$ (1)	\$ 0	\$ 0	\$ (2)
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\* Commissions:

4.25% on	\$	1,487
4% on	\$	2,005

The accompanying notes are an integral part of the financial statements.

WHITLEY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

October 14, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff's office maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff's office entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of May 12, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$257,173 of public funds uninsured and unsecured.

WHITLEY COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 October 14, 1999  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of May 12, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,062,171
Uncollateralized and uninsured	<u>257,173</u>
Total	<u>\$ 2,319,344</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 1, 1999 through September 18, 1999.

1998 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 30, 1999 through August 18, 1999.

Note 4. Interest Income

The Whitley County Sheriff earned \$10,911 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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COMMENT AND RECOMMENDATION





WHITLEY COUNTY  
ANCIL CARTER, SHERIFF  
COMMENT AND RECOMMENDATION

October 14, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On May 12, 1999, \$257,173 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff Carter's Response:*

*No Response.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Michael L. Patrick, Whitley County Judge/Executive  
Honorable Ancil Carter, Whitley County Sheriff  
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the Whitley County Sheriff's Settlement - 1998 Taxes and the Whitley County Sheriff's Settlement - 1998 Unmined Coal Taxes as of October 14, 1999. We have issued our report thereon dated October 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Michael L. Patrick, Whitley County Judge/Executive  
Honorable Ancil Carter, Whitley County Sheriff  
Members of the Whitley County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 10, 2000

